

SESSION OF 2006

**SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2692**

As Amended by Senate Committee on  
Financial Institutions and Insurance

**Brief\***

HB 2692 would amend the preparation and filing of certain reports by insurance companies with the Insurance Department. The bill would update from December 31, 2004 to December 31, 2005, the risk-based capital (RBC) instructions and formulas developed by the National Association of Insurance Commissioners (NAIC) that insurance companies must use in preparing their financial reports for the Department.

The bill would amend existing law, KSA 40-2903, to include a definition of "domiciliary state" in the Kansas Insurance Guaranty Association Act to mean a state in which an insurer is incorporated or, if an alien insurer, the state of entry of the insurer. The definition of "insolvent insurer" would be amended to provide that the determination of insolvency be entered by a court in the insurer's domiciliary state. Additional language was added which would make these amendments, effective on July 1, 2006, apply to all claims which have not been paid prior to April 14, 2005.

The bill also would amend existing law, KSA 40-433, concerning group life insurance. The group policy would be required to cover at least two employees at the date of issue.

**Background**

HB 2692 was requested by the Insurance Commissioner whose representative indicated that the risk-based capital instructions, including formulas, are amended each year to address a variety of matters, including any modifications or adjustments to the formulas. The bill was supported by the Kansas Association of Property and Casualty Insurance Companies and the Kansas Life Insurance Association.

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\*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

The Senate Committee on Financial Institutions and Insurance recommended amendments to the bill at the request of representatives of the Kansas Association of Property and Casualty Insurance Companies and the Kansas Life and Health Insurance Association as well as Humana, Inc. Amendments to the Kansas Insurance Guaranty Association Act were requested to correct a wording error in amendments to the Act made during the 2005 Legislative Session. The definition of "insolvent insurer" required an order of liquidation by a court in the "insured's home state" rather than the "insurer's domiciliary state." For added clarification, the definition of "domiciliary state" from the Interstate Insurance Product Regulatory Compact approved in the 2005 Legislative Session was added. Language also was added to make clear that both the 2005 Legislative Session amendments and the 2006 Legislative Session amendments would apply to any claims not paid prior to April 14, 2005, the effective date of last year's amendments. The Humana representative requested the change in group size for group life policies from three to two to allow small group insurers to offer group life coverage to any group they can offer health insurance coverage.

The fiscal note prepared by the Division of the Budget on the introduced version of the bill indicates that passage of the bill would have no fiscal effect.